



Relate

Contents

Page No.

1. Social welfare
3. Taxation
5. Housing
6. Employment and business
7. Childcare
7. Education
7. Health
8. Environment
8. Other announcements

The journal of developments in social services, policy and legislation in Ireland

Budget 2017

Budget 2017 was announced on 11 October 2016. Some of the measures announced, for example, excise duty on tobacco products, came into effect on 12 October 2016, but most will come into effect in 2017. Legislation will be required for most of the social welfare and tax changes.

The main Budget statements and background documents are published on budget.gov.ie. The background documents include the *Expenditure Report 2017*, which sets out details of expenditure in all areas of government for 2017. Details of these changes are also available on the websites of the relevant government departments.

Social welfare

The *Expenditure Report 2017* shows that over 34% of government spending will go to the Department of Social Protection (DSP) – about €19.85 billion in 2017. Examples of how this budget will be spent include:

- Pensions: €7.273 billion; pensions are being paid to 580,000 people
- Working age income supports: €3.658 billion; these are being paid to about 430,000 people
- Income supports for illness, disability and carers: €3.814 billion; these are paid to 315,000 people
- Children: €2.624 billion; Child Benefit is paid monthly to 625,000 families in respect of 1.2 million children

INSIDE: Increases in social welfare payments p2, Rent Supplement p2, Self-employed p2, Farmers p2, Christmas Bonus p3, Help to Buy Incentive p3, Universal Social Charge p4, Capital Acquisitions Tax p4, Capital Gains Tax p5, Social Housing Support p5, Supports for homeless people p6, Increase in minimum wage p6, Preparing for Brexit p6, Single Affordable Childcare Scheme p7

Increases in social welfare payments

In March 2017, weekly social welfare payments will increase by €5 per week with proportional increases for qualified adults and those on reduced rates of payment.

The increase applies to all weekly payments including: State Pension (Contributory), State Pension (Non-Contributory), Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension, Widow's, Widower's or Surviving Civil Partner's (Non-Contributory) Pension, Maternity Benefit, Paternity Benefit, Adoptive Benefit, Illness Benefit, Blind Pension, Carer's Benefit, Carer's Allowance, Disability Allowance, Invalidity Pension, One-Parent Family Payment, Jobseeker's Benefit, Jobseeker's Allowance, Jobseeker's Transitional payment, Back to Education Allowance and Farm Assist.

This also applies to employment programmes such as Community Employment (CE), Tús and the Rural Social Scheme.

In March 2017, there will also be a special increase of €15 in the weekly rate of Guardian's Payment (Contributory) and Guardian's Payment (Non-Contributory) from €161 to €176.

Back to Education Allowance

If you are unemployed, parenting alone or have a disability and you are getting certain payments from the Department of Social Protection, you may take part in a second or third-level education course and get a Back to Education Allowance (BTEA). The maximum rate of BTEA will increase by €5 per week in 2017. From September 2017, the maximum rate of BTEA will increase to €193 per week for jobseekers aged under 26.

Also in September 2017, a new €500 annual Cost of Education Allowance will be made available to BTEA participants with children.

Rent Supplement

If you receive Rent Supplement at the moment, you must pay at least €30 per week toward your rent. From January 2017, the personal rent contribution will be reduced from €30 to €10 per week for people aged 18-24 who are receiving Jobseeker's Allowance (JA) of €100 per week and from €30 to €20 for those who are receiving JA of €144.

For those getting BTEA, a Further Education and Training (FET) training allowance or on Youthreach, where the age-related rate of €160 applies, the personal rent contribution will be reduced from €30 to €20 per week.

One-parent families

If you are parenting alone and receiving either One-Parent Family Payment (OFP) or the Jobseeker's Transitional (JST) payment, the amount of payment you get depends on your earnings. The earnings disregard for the OFP and the JST payment will increase by €20 per week, from €90 to €110 per week. This means that it will be possible to earn up to €110 per week and qualify for the full OFP or JST payment.

Carers

Carer's Allowance is a means-tested payment to people who are looking after a person who needs support because of age, disability or illness. From January 2017, Carer's Allowance will continue to be paid for a period of 12 weeks when the person being cared for moves permanently into residential care.

People with disabilities

Funding of €2 million will be available for projects which provide employment pre-activation supports for people with disabilities in 2017. This aim of this programme is to bring people with disabilities who are not work ready nearer to the labour market through training and personal development activities.

Self-employed

Self-employed people pay Pay Related Social Insurance (PRSI) at Class S. Class S PRSI does not qualify self-employed people for the full range of social insurance payments. From December 2017, Invalidity Pension will be extended to self-employed people.

From March 2017, the Treatment Benefit Scheme (which includes dental and optical benefits) will be extended to self-employed people.

The qualification period for the Back to Work Enterprise Allowance will be reduced to nine months from 12 months. This scheme encourages people getting certain welfare payments to become self-employed.

Farmers

Farm Assist is a means-tested payment for low-income farmers. In 2017, farm income and other income from off-farm self-employment will be assessed at 70% (down from 100%) for Farm Assist, with an additional annual disregard of €254 for each of the first two children and €381 for the third and other children.

Farmers will also be able to benefit from the extended social insurance cover for self-employed people including eligibility for Invalidity Pension and Optical and Dental Benefits.

Rural Social Scheme

People participating in the Rural Social Scheme provide services that benefit rural communities. The scheme is aimed at low-income farmers and fishermen/women. There will be 500 additional places on the Rural Social Scheme in 2017 increasing the overall number to 3,100.

Treatment Benefit Scheme

Dental Benefit will be expanded to include an annual free scale and polish and Optical Benefit will include the option of either free glasses or a contribution of €42 towards the cost of glasses. These measures come into effect in October 2017.

Christmas Bonus

A Christmas Bonus will be paid in December 2016 to people getting a long-term social welfare payment. The bonus will be 85% of the person's normal weekly payment, with a minimum payment of €20.

People getting the following payments will receive the Christmas Bonus:

- State Pensions and Widow's, Widower's or Surviving Civil Partner's Pensions
- Invalidity Pension, Blind Pension, Disability Allowance, Carer's Allowance, Domiciliary Care Allowance, and Guardian's Payments
- Long-term Jobseeker's Allowance including Jobseeker's Transitional payment, One-Parent Family Payment, Deserted Wife's Benefit and Allowance, and Farm Assist
- Back to Work Allowance, Community Employment, Rural Social Scheme, Tús, Gateway, and Job Initiative

School Meals Programme

The School Meals Programme aims to supplement the diets of school-going children from disadvantaged backgrounds. An additional €5.7 million is being provided towards the School Meals Programme, increasing the funding to €47.7 million in 2017.

Taxation

Home Carer's Tax Credit

The Home Carer's Tax Credit that is given to married couples or civil partners where one spouse or civil partner works in the home caring for a dependent person will increase from €1,000 to €1,100.

Earned Income Tax Credit

The Earned Income Tax Credit for taxpayers earning self-employed trading or professional income in certain cases, and for business owner/managers who are ineligible for a PAYE credit on their salary income is increasing from €550 to €950.

Help to Buy Incentive

An income tax rebate incentive for first-time buyers of new homes is being introduced to help fund the deposit required under the Central Bank macro-prudential rules. It also applies to once-off self-build homes. It will consist of a rebate of income tax and Deposit Interest Retention Tax (DIRT) paid over the previous four years up to 5% of the purchase price of up to €400,000. Where new homes are valued between €400,000 and €600,000, the maximum relief will be €20,000. The house must be a new build and applicants must take out a mortgage of at least 70% of the purchase price.

Relief will be provided at deposit stage (signing of contract) or, in the case of a self-build, following the drawdown of the first tranche of the relevant mortgage.

The incentive will be available from 19 July 2016 to 31 December 2019. Claimants will be able to apply online to Revenue for the relief from January 2017

Home Renovation Incentive

The Home Renovation Incentive (HRI) which provides an income tax credit to homeowners who carry out renovation and improvement works on their home is being extended until 31 December 2018.

Residential rental property relief

The residential rental property relief available for qualifying interest payments on money borrowed to purchase, improve or repair residential rental property is being increased from 75% to 80%. This measure will apply to both new and existing mortgages.

Rent-a-Room Scheme

The ceiling for exemption from income tax under the Rent-a-Room Scheme for income received from the letting of a room or rooms in a person's home is being increased from €12,000 to €14,000 for 2017 and subsequent years.

Living City Initiative

The Living City Initiative aims to assist the regeneration of retail and commercial districts and to encourage families to live in historic buildings in the city centres of Dublin, Cork, Limerick, Galway, Waterford and Kilkenny. The scheme is being amended to encourage greater take-up. This involves extending the availability of the scheme to landlords. For residential applicants it removes the restriction on the maximum floor size of the property, removes the requirement that the property must have been previously used as a dwelling and reduces the minimum amount of expenditure needed to qualify.

Fisher Tax Credit

A new Fisher Tax Credit is being introduced from 2017 to 2021 inclusive for those actively working on sea-fishing as employees, owner-operators, or in a share-fisher capacity. The tax credit is calculated at 20% of an individual's fishing income, subject to a maximum tax credit of €1,270.

Start Your Own Business Relief

If you have been unemployed for at least 12 months and set up a qualifying business, the Start Your Own Business scheme provides an exemption from income tax up to a maximum of €40,000 per annum for a period of two years. The Start Your Own Business Relief is being extended for two years until the end of 2018.

Universal Social Charge (USC)

Incomes of €13,000 or less will continue to be exempt from USC in 2017. Once your income is over this limit, you will pay the relevant rate of USC on all of your income as follows:

- €0 to €12,012 @ 0.5%
- €12,012.01 to €18,772 @ 2.5%
- €18,772.01 to €70,044 @ 5%
- €70,044.01 to €100,000 @ 8%
- PAYE income in excess of €100,000 @ 8%
- Self-employed income in excess of €100,000 @ 11%

Medical card holders and individuals aged 70 years and over whose aggregate income does not exceed €60,000 will continue to pay a maximum USC rate of 2.5%.

Deposit Interest Retention Tax (DIRT)

DIRT is a tax on the interest paid on savings. The rate of DIRT is currently 41%. This will decrease by 2% each year for the next four years until it reaches 33%. A reduced rate of 39% will apply to interest paid or credited on or after 1 January 2017.

Capital Acquisitions Tax

If you receive a gift, you may have to pay gift tax on it. If you receive an inheritance following a death, it may be liable to inheritance tax. Both these taxes are types of Capital Acquisitions Tax. From 12 October 2016, the Capital Acquisitions Tax tax-free thresholds have increased as follows:

- The Group A threshold applying to gifts and inheritances from parents to children is being raised from €280,000 to €310,000
- The Group B threshold applying to gifts and inheritances made to parents, siblings, nieces, nephews or grandchildren is being raised from €30,150 to €32,500
- The Group C threshold applying to gifts and inheritances made to all others (except spouses and civil partners who are exempt) is being raised from €15,075 to €16,250

Excise duties

The excise duty on a packet of 20 cigarettes is being increased by 50 cents (including VAT) with a pro-rata increase on other tobacco products, with effect from midnight on 11 October 2016.

Vehicle Registration Tax

The Vehicle Registration Tax (VRT) reliefs available for the purchase of hybrid electric vehicles and plug-in hybrid electric vehicles are being extended to 31 December 2018. Reliefs available for electric vehicles and electric motorcycles are being extended to 31 December 2021.

Capital Gains Tax

Entrepreneur relief

A reduced Capital Gains Tax rate of 10% will apply to the disposal in whole or in part of a business up to an overall limit of €1 million in qualifying chargeable gains.

Tax relief for raised bogs

Payments under the new Protected Raised Bog Restoration Incentive Scheme to relevant owners and rights holders will be exempt from Capital Gains Tax.

Housing

A total of €1.2 billion is allocated to the Department of Housing, Planning, Community and Local Government for housing in 2017. This will allow for continued implementation of the Housing Action Plan. Under the Plan, it is intended that 47,000 new social housing units will be delivered by 2021.

The total includes an Exchequer allocation of €50 million in 2017 for the Local Infrastructure Housing Activation Fund (€200 million in total), to accelerate the provision of public infrastructure to support the development of sites for private housing in urban areas. It is hoped that this fund will facilitate the delivery of up to 20,000 private houses by 2019.

In addition, local authorities will use €92 million from surplus Local Property Tax receipts to fund a range of housing services.

Social housing support

A total capital provision of €732 million has been allocated in 2017 to support the delivery of 4,450 social housing units. These will be provided through:

- Construction and acquisitions by local authorities and approved housing bodies
- Rapid Builds
- Units to be delivered under Part V mechanisms
- Bringing an expected 800 vacant units back into use, and
- Delivering new units under the National Regeneration Programme

Under the Social Housing Current Expenditure Programme, a provision of €84 million is to support the delivery of 600 direct leased units in 2017.

Housing Assistance Payment

The Housing Assistance Payment is a form of social housing support for people who have a long-term housing need. It is intended that HAP will eventually replace long-term Rent Supplement. An additional €105 million is allocated for the Housing Assistance Payment in 2017, with a target of a further 15,000 households for transfer to HAP.

Rental Accommodation Scheme

Under the Rental Accommodation Scheme (RAS), local authorities draw up contracts with landlords to provide housing for an agreed term for people with a long-term housing need. The local authority pays the rent directly to the landlord. €134 million is allocated for the RAS with a target of 1,000 households transferring from Rent Supplement to RAS in 2017.

Traveller accommodation

Capital of €9 million is to be provided in 2017 for Traveller-specific accommodation. This will also support the carrying out of fire safety works in Traveller accommodation.

These measures are expected to provide social housing support to over 21,000 households in 2017.

Acquisition and renewal

The Housing Agency is being allocated a €70 million Rotating Fund to acquire properties for social housing nationally. The fund is expected to deliver 1,600 units by 2020.

€6 million is being allocated in 2017 for a Repair and Leasing Initiative. Under this new initiative, local authorities will give financial assistance to owners of vacant properties to bring them up to standard, so that they can be leased for social housing. It is expected that this new initiative will deliver 150 units in 2017.

Under a new Buy and Renew Initiative, local authorities and approved housing bodies will be supported to buy private housing units in need of remediation, renew them and make them available for social housing use. €25 million is being provided for this initiative in 2017.

Adaptations and remediation

Increased funding is provided for approximately 9,000 housing adaptation grants to assist older people and people with a disability to remain in their own homes and community.

€22 million is provided for remediation of an additional 400 dwellings under the Pyrite Remediation Scheme.

Supports for homeless people

The current allocation for homelessness services is increased by approximately €28 million, from €70 million in 2016 to €98 million in 2017.

It is intended that there will be 3,000 exits from emergency accommodation in 2017.

Through the expanded Housing First programme, it is intended that 300 people will move from homelessness into supported tenancies in Dublin and other major urban areas. These measures will be supported by increased funding in the areas of mental health and addiction from the Department of Health and by additional supports for children and families from the Department of Children and Youth Affairs.

Tax changes

An income tax rebate, the Help to Buy Incentive, is being introduced to help first-time buyers of newly built homes and people who self-build to fund the deposit required under the Central Bank's rules. See page xx above for further details.

In addition, the Home Renovation Incentive is being extended for a further two years and the ceiling under the Rent-a-Room Scheme will be increased (see above for more details of these and other tax changes).

Mortgage Interest Relief, which only applies to mortgages taken out by 31 December 2012, was due to end on 31 December 2017. It will now be retained beyond this date, on a tapered basis. Details are to be announced in Budget 2018.

Student accommodation

There will be new support from the Ireland Strategic Investment Fund (ISIF) for investment in student accommodation. Higher education institutions will also be able to access low-cost loan finance from the Housing Finance Agency.

It is intended that the increase of €2,000 in the ceiling for Rent-a-Room tax relief will help to increase the supply of accommodation for students.

Planning

An Bord Pleanála is to get extra funding to support the implementation of fast-track measures for applications for large residential developments.

Employment and business

The capital allocation for the Department of Jobs, Enterprise and Innovation will be €555 million in 2017.

Increase in minimum wage

From 1 January 2017, the statutory minimum wage will increase from €9.15 to €9.25 per hour.

Small and medium businesses

See above for details of the main taxation changes in 2017 including the entrepreneur relief, Start Your Own Business Relief and the Earned Income Tax Credit.

A new share-based incentive scheme focused on small and medium enterprises (SMEs) is to be introduced in Budget 2018.

Other measures

The Foreign Earnings Deduction is being extended until the end of 2020 and the number of qualifying days has been reduced to 30. The Special Assignee Relief is also being extended until the end of 2020.

Preparing for Brexit

As part of Budget 2017, the Department of Finance analysed the exposure of different sectors of the economy to changes in the United Kingdom. In particular, the department identified businesses that are small in scale, closely linked to the rest of the economy, that have high levels of regional employment and relatively low profit levels.

A range of measures were put forward to assist these sectors to remain competitive and to trade in diversified markets, including reduced Capital Gains Tax (see above), an increase to the Earned Income Tax Credit for self-employed people (see above) and the retention of the 9% VAT rate in the tourism and hospitality sector.

There will be funding for 50 new posts in the Department of Jobs, Enterprise and Innovation and its agencies to respond to Brexit.

Childcare

Single Affordable Childcare Scheme

From September 2017, a new Single Affordable Childcare Scheme will provide a targeted subsidy, based on parental income, for children aged between six months and 15 years and a universal subsidy, for all families, for children aged between six months and three years.

Targeted subsidy

Under the targeted subsidy, the highest level of subsidy will be provided to those on incomes up to €22,700 net per annum – this will be approximately €8,000 a year, based on the maximum of 40 hours childcare a week. The rate of subsidy will taper downwards as net income rises, with no targeted subsidy payable when net income reaches €47,500. The income thresholds increase if there is more than one child in the family.

Universal subsidy

Under the universal subsidy, up to €80 per month will be provided towards childcare costs. This equates to over €900 per annum for parents working full-time and will be paid pro-rata.

Both of these subsidies will be paid in respect of children attending a Tusla-registered childcare provider – including centre-based providers and child minders.

Pre-school education

An additional €86 million has been provided for the full year costs of the extended Early Childhood Care and Education Scheme (ECCE) and the rollout of the Access and Inclusion Model (AIM) to enable children with disabilities to access the scheme.

Education

Primary and post-primary schools

An additional 2,400 teaching posts in schools are to be funded in 2017 including:

- 680 extra teachers
- 900 extra resource teachers to support a new model of special education

- 100 new posts for career guidance

In addition, a further 115 special needs assistants will be provided from January 2017.

Higher and further education

Specific additional funding is allocated to cover the impact of increasing enrolments. In 2017, an additional €36.5 million will provide for over 179,000 full-time enrolments.

€8.5 million will help more disadvantaged students, including lone parents and Travellers, to attend higher level education. This includes €4 million to introduce full maintenance grants from September 2017 for the most disadvantaged postgraduate students.

Funding will be allocated to provide for increased demand for traditional apprenticeships and the rollout of apprenticeships in new sectors.

Health

Medical cards will be provided to all children in receipt of Domiciliary Care Allowance in 2017.

If you have a medical card, there is a charge for prescribed medicines and other items that you get on prescription from pharmacies. The prescription charge is €2.50 for each item that is dispensed to you under the medical card scheme, up to a maximum of €25 per month per person or family. The €25 cap on prescription charges will be reduced to €20 for people aged over 70 from 1 March 2017.

Funding for the National Treatment Purchase Fund will increase, from €5 million to €20 million in 2017, for an initiative to address waiting lists, targeted at those who have been waiting longest.

An additional €10 million in new development funding will be provided for home care, including home help and home care packages, in addition to €3.8 million to support the increased cost of existing services.

Additional funding of €18.5 million will be provided to support the development of primary care services including enabling the support of complex paediatric cases at home, maintaining increased Community Intervention Team capacity, and meeting lease costs of new Primary Care Centres.

€3 million is provided for preparations for the new National Drugs Strategy and other social inclusion measures.

The Citizens Information Board provides independent information, advice and advocacy on public and social services through citizensinformation.ie, the Citizens Information Phone Service and the network of Citizens Information Services. It is responsible for the Money Advice and Budgeting Service and provides advocacy services for people with disabilities.

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Environment

The Department of Communications, Climate Action and Environment has a budget of €529 million in 2017.

Energy and climate action

Funding of €500,000 is allocated for the establishment of a National Dialogue on Climate Change which will give wider consideration to how Ireland can transition to a low-carbon, climate-resilient economy.

A total of €90 million is allocated for a new Renewable Heat Incentive Scheme, the Better Energy Grant schemes and the Electric Vehicles Subsidy.

The Warmth and Wellbeing pilot scheme is being expanded and will have an allocation of €8 million in 2017. This scheme aims to improve the living conditions of people with chronic respiratory disease and to reduce the requirement of these citizens to attend hospital, especially during the winter months.

Funding for the Green, Low-Carbon, Agri-Environmental Scheme (GLAS) is increased by €69 million, with an expected total of 50,000 participants in 2017. GLAS provides funding to farmers in return for delivering environmental management on their land.

The fuel inputs used to create high-efficiency electricity in combined heat and power plants are being fully exempted from carbon tax.

Environmental projects

A €44 million package is provided for flood relief schemes in 2017.

An additional €2 million is being provided for the Environmental Protection Agency to target illegal dumpers. €13 million has been allocated to landfill remediation.

Other announcements

The Department of Justice and Equality has a total budget of €2.54 billion in 2017 and will include the recruitment of 800 new Gardaí and up to 500 civilian staff. Approximately 300 appointments will also be made to the Garda Reserve.

The Office of the Data Protection Commissioner will get a further €2.8 million in 2017 bringing the total allocation to over €7.5 million.

Capital funding for IDA Ireland will be increased by 22% to €137 million.

Charities are exempt from VAT under the EU VAT Directive and as a result cannot recover VAT incurred on goods and services that they purchase. The Department of Finance plans to engage again with the Irish Charities Tax Reform Group to review options for how charities might be compensated in relation to VAT.

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